

# Medicaid Divestment

Division of Health Care Financing  
Committee-Identified Issues – May 4, 2005



# Medicaid Divestment

- Medicaid divestment is the transfer of income, non-exempt assets (i.e., assets that are counted when determining Medicaid eligibility) and homestead property for less than fair market value in anticipation of applying for Medicaid coverage.
- Medicaid divestment rules apply to:
  - Persons in long-term care medical institutions, such as nursing homes, and
  - Persons applying for or participating in Medicaid community-based LTC waiver programs.



# Divestment Background

- The current federal divestment laws were created as part of the Medicare Catastrophic Coverage Act of 1988 and were last changed in the Omnibus Reconciliation Act of 1993.
- State statutes on divestment were created in 1989 and have been revised twice since then.
- Wisconsin's current divestment laws and policies are as stringent as allowed under current federal law.
- Unlike other federal Medicaid law provisions, federal divestment law does not allow any flexibility for states.



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- Three states have requested waivers of the federal Medicaid divestment laws to demonstrate the effectiveness of different approaches to preventing asset sheltering and other divestment.
- None have been approved.
- The Governor is opposed to any efforts to prohibit future restrictions on otherwise legal asset transfers.

